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UNCLAS SECTION 01 OF 02 LIMA 001660

SIPDIS

SENSITIVE

DEPT FOR WHA/AND, WHA/EPSC, EB/IFD/OFD, EB/CBA, EB/IFD/OIA  
TREASURY FOR OASIA/INL, DO/GCHRISTOPOLUS  
COMMERCE FOR 4331/MAC/WH/MCAMERON  
USTR FOR BHARMAN/DWEINER

E.O. 12958: N/A

TAGS: [EINV](#) [EFIN](#) [ECON](#) [EPET](#) [KIDE](#) [PE](#)

SUBJECT: MOVEMENT ON THE EXXON-MOBIL DISPUTE

REF: A) Lima 534

B) Lima 171

1. (SBU) Summary. The Economic Commission of Congress is expected to deliberate on the Ministry of Finance (MEF) amendment to the tax law in upcoming weeks. The amendment would grant Exxon-Mobil a \$15 million credit over the next three and half years. The Mining and Petroleum Society (SNMPE) has agreed to spearhead the effort in the Peruvian Congress. Exxon-Mobil has hired two lobbyists to garner support for the bill in the Economic Committee. If there is unanimous consensus on the bill, the MEF is confident the Congressional Plenary will easily pass the bill. If the ruling is not unanimous, Post, working with the MEF, will meet with key APRA officials to obtain support. Exxon-Mobil predicts the Economic Commission will approve the bill in three weeks, by the end of April. The bill should reach the full Plenary for a vote proximately 45 days later. Post expects the dispute to be resolved by late June. End Summary.

Tax Law Hurts all International Companies

2. (SBU) Exxon-Mobil General Manager Peter Hartmann met with officials from the Peruvian Mining Society (SNMPE) and Spanish-owned Repsol on March 31 to discuss the MEF's proposed amendment. (Note: Repsol, a provider of both airline and maritime fuel, faced the same problems as Exxon-Mobil. Instead of joining forces with Exxon-Mobil, Repsol supported the current law, which established an exemption for taxes on bunker fuel. Repsol, which gained an \$80 million credit on bunker fuel, opted to forego the \$13 million in airline fuel reimbursement (ref B). The MEF's amendment would also grant Repsol its VAT credit. End Note.) Exxon-Mobil explained that the amendment would not just benefit one company, but all international companies that sold airline fuel. The SNMPE agreed, and pledged to support Exxon-Mobil's efforts to garner support for the MEF's bill.

New Plan of Action

3. (SBU) Exxon-Mobil, working with SNMPE, hired two lobbyists to help build consensus among the Economic Commission for the amendment. (Note: One of the lobbyists is a former public ombudsman with many Congressional contacts. End Note.) SNMPE's main public relations official, who happens to be the daughter of Congress President Flores-Araoz, is also working to gain Congressional support for the bill. The lobbyists believe that if there is a unanimous consensus for the amendment within Economic Commission, the Congressional Plenary will pass the bill with little problem. However, if Commission does not unanimously agree, Exxon-Mobil and SNMPE will look to the Embassy and the MEF to advocate on their behalf. If this situation occurs, Post will meet with key Congressmen, including APRA's Juan Valdivia, to push for support of the bill.

4. (SBU) According to Peter Hartmann, the Economic Commission should approve the bill within the next three weeks, perhaps by the end of April. Once the bill is approved, it will move to the Plenary for action. Exxon-Mobil expects the Plenary to make a decision on the bill within a 45-day period.

Comment

5. (SBU) By joining forces with the mining society, Exxon-Mobil is likely to garner more support for the MEF's amendment. Congressmen should no longer view the bill as correcting problems for one large American company, but for all international companies that sell airline fuel. We will continue to work closely with Exxon-Mobil, the SNMPE, and the MEF to press the Congress for quick resolution of this

issue.  
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